

Message Text

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C O N F I D E N T I A L ROME 4014

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E.O. 11652: GDS

TAGS: ENRG, IT, US, OECD

SUBJECT: FOREIGN MINISTER RUMOR'S COMMENTS ON ENERGY MATTERS

REF: ROME 3968

1. FOREIGN MINISTER RUMOR DESCRIBED TO ASSISTANT SECRETARY ENDERS MARCH 17 GOI RESERVATIONS ON THE DIRECTION IN WHICH IEA DELIBERATIONS ON FLOOR PRICE ARE PROCEEDING. HE EXPLAINED THAT GOI PERCEIVED ITS INTERESTS IN A LOW PRICE. TO THE EXTENT THAT THIS PRICE IS SET ABOVE MINIMUM LEVEL, ITALY FEELS IT NEEDS AND REQUIRES FROM ITS PARTNERS ASSISTANCE FOR INVESTMENT IN ALTERNATE SOURCES OF ENERGY AND PARTICULARLY IN HEAVY NUCLEAR INVESTMENTS WHICH AN ECONOMY SUCH AS ITALY COULD NOT SUPPORT ALONE. RUMOR SAID ITALY WILL NEED HELP IN FINANCING ABOUT HALF OF ITS INVESTMENT REQUIREMENTS UNTIL 1985; IT COULD PROVIDE ABOUT \$8 BILLION ON ITS OWN. HE ALSO TOUCHED UPON ITALIAN DIFFICULTIES IN OBTAINING SUFFICIENT NATURAL URANIUM IN CANADA AND AUSTRALIAN, ITALY'S PROBABLE REQUIREMENT FOR ENRICHMENT SERVICES AND ITS NEED FOR ACCESS TO TECHNOLOGICAL "KNOW HOW". HE COMMENTED THAT ITALY HAD FOUND ITS AMERICAN LICENSORS LESS GENEROUS THAN IT WOULD DESIRE.

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2. RUMOR ALSO DEVELOPED THE THEME THAT ITALIAN PARTICIPATION

IN THE FLOOR PRICE SYSTEM AND THE DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES MUST BE ON THE BASIS OF EQUALITY, I.E. A SITUATION IN WHICH ITALY WOULD RECEIVE SUFFICIENT ASSISTANT TO DEVELOP ITALY'S ALTERNATIVE NUCLEAR SOURCES AT A CHYTHEM CONSISTENT WITH THE EFFORTS FF ITS IEA PARTNERS. THIS, HE SUGGESTED, WOULD PROVIDE A POLITICAL AS WELL AS THE FINANCIAL AND TECHNOLOGICAL BASIS FOR FULL ITALIAN COOPERATION AND IN PARTICULAR THE ACCEPTANCE OF A FLOOR PRICE.

3. RUMOR ADDED AS A FOOTNOTE THAT BE BELIEVES THAT THE FLOOR PRICE MUST BE NEGOTIATED WITH THE PRODUCERS TO PREVENT REPRISALS OR TO AVOID INCENTIVES TO MAINTAIN HIGH PRICE LEVELS. HE WAS ALSO CONCERNED THAT THE IEA MEASURES COULD GIVE RISE TO MOVEMENTS TOWARD PROTECTIONISM.

4. ASSISTANT SECRETARY ENDERS REVIEWED THE RELATIVE ADVANTAGES AND DISADVANTAGES OF A FLOOR PRICE SYSTEM FOR IEA PARTICIPANTS AND REITERATED US VIEW THAT A PRICE OR PRICE RANGE SHOULD BE ESTABLISHED ON THE BASIS OF FACTUAL ANALYSIS BUT NOT FIXED PRIOR TO THE PRODUCER-CONSUMER CONFERENCE.

5. ENDERS ALSO POINTED OUT THAT THE ITALIAN FINANCIAL NEEDS ARE RELATED TO PROBLEM OF A RATE STRUCTURE INADEQUATE TO SUPPORT MASSIVE CAPITAL DEVELOPMENT REQUIREMENTS. GIVEN THIS ASPECT AND THE ITALIAN DESIRE TO OBTAIN FOREIGN FINANCING TO COVER LOCAL COSTS HE WAS NOT SURE THAT THE PROBLEM OF FINANCING THE ITALIAN PROGRAM COULD BE HANDLED ON A STATE TO STATE BASIS. HE TOLD RUMOR THAT THE USG IS PREPARED TO EXAMINE SYMPATHETICALLY THE FINANCING OF NUCLEAR PURCHASES OF US ORIGIN AND WOULD BE PREPARED TO GO INTO THE OVER ALL FINANCIAL QUESTION MORE CLOSELY IN THE BILATERAL WORKING GROUP THAT THE MINISTER OF INDUSTRY HAD PROPOSED (ROME 3969).

6. THE FOREIGN MINISTER AND ENDERS AGREED THAT COUNTER PROPOSALS SHOULD BE DEVELOPED TO WITHSTAND ALGERIAN ATTEMPTS TO LINK RAW MATERIAL PRICES TO THE PETROLEUM DISCUSSIONS AT THE PRODUCER-CONSUMER CONFERENCE.

7. FOREGOING NOT SEEN BY ASSISTANT SECRETARY ENDERS.VOLPE

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